

Wisconsin State Legislature

SENATE CHAIR
ALBERTA DARLING

317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-5830



ASSEMBLY CHAIR
ROBIN VOS

309 East, State Capitol
P.O. Box 8593
Madison, WI 53708-8953
Phone: (608) 266-9171

Joint Committee on Finance *100TH ANNIVERSARY 1911 - 2011*

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative Robin Vos

Date: June 16, 2011

Re: 14-Day and 14-Working Day Passive Review Approval – Department
of Transportation

Pursuant to s. 84.03(2)(b) and 85.62(1), Stats., attached is a 14-day and 14-working day passive review request from the Department of Transportation, received on June 16, 2011.

Please review the material and notify **Senator Darling** or **Representative Vos** no later than **Wednesday, June 29, 2011, on the 14-day passive review and Wednesday, July 6, 2011 on the 14-working day passive review**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AB:RV:jm



Wisconsin Department of Transportation

www.dot.wisconsin.gov

Scott Walker
Governor

Mark Gottlieb, P.E.
Secretary

Office of the Secretary
4802 Sheboygan Avenue, Room 120B
PO Box 7910
Madison, WI 53707-7910

Telephone: 608-266-1113
FAX: 608-266-9912
E-mail: sec.exec@dot.wi.gov

June 8, 2011

The Honorable Alberta Darling
Senate Chair, Joint Committee on Finance
317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882

The Honorable Robin Vos
Assembly Chair, Joint Committee on Finance
309 East, State Capitol
P.O. Box 8953
Madison, WI 53708-8953

RECEIVED
JUN 16 2011

BY: *St. Finance*

Dear Senator Darling and Representative Vos:

Section 84.03(2)(b), Wisconsin Statutes, requires the Department to submit a Federal Expenditure Plan to the Joint Committee on Finance if the amount of federal funds provided by federal transportation authorization and appropriations bills for the current State Fiscal Year (SFY) is less than 95 percent or greater than 105 percent of the amounts appropriated under s. 20.395, Wis. Stats.

Section 85.62(1), Wis. Stats., requires the Department to submit a Deficit Reduction Plan to the Committee if the Department determines that, at the close of the fiscal biennium, net appropriations and fund reserves from the transportation fund will exceed estimated transportation fund revenues by more than \$30,000,000.

The Department has determined that the statutory requirements for both plans have occurred. In developing the two plans, the Department feels the timing and amount of additional federal funding provide an opportunity to address the pending Transportation Fund deficit. Therefore, the required Federal Expenditure Plan and Deficit Reduction Plan have been combined into this document and submitted to the Committee for review and approval.

FEDERAL EXPENDITURE PLAN

Federal highway funding requires a two-stage legislative process. Both an authorization act and an appropriations act must be in place. Typically, authorization acts cover multiple years while appropriations acts cover single, individual federal fiscal years (FFY). The federal surface transportation authorization – the Safe Accountable Flexible Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) – expired on September 30, 2009. A series of short-term extensions have been passed since that date. The most recent expires on September 30, 2011.

Federal highway funding for 2011 became available with enactment of the Full Year Continuing Appropriations Act, 2011 (Public Law 112-10) on April 15, 2011. Federal highway funding notices for FFY 2011 were issued by the Federal Highway Administration (FHWA) on May 9, 2011.

State Fiscal Year 2011 Federal Funding

Based on the funding notices received from FHWA, FFY 2011 funding for Wisconsin is \$716,720,511 or approximately 110.4 percent of the \$649,077,600 appropriated under s. 20.395 Wis. Stats. for SFY 2011. In addition, FFY 2010 redistribution funds of \$27,026,838 were received in SFY 2011 (September 10, 2010). Consequently, total federal funding available in SFY 2011 is \$743,747,349 or 114.6 percent of the appropriated amounts in the Chapter 20 appropriation schedule. In both cases, the statutory threshold is surpassed and a Federal Expenditure Plan is required to allocate \$94,669,800 in federal funds to appropriations in s. 20.395 Wis. Stats.

State Fiscal Year 2011 Federal Expenditure Plan

The Department requests that the Committee approve the following adjustments to Chapter 20 appropriations for SFY 2011:

Appropriation	Program	Fund Type	Requested Change
s. 20.395(3)(bx)	Major Highway Development	Federal	\$32,669,800
s. 20.395(3)(cx)	State Highway Rehabilitation	Federal	39,500,000
s. 20.395(3)(cq)	State Highway Rehabilitation	State/SEG	(7,500,000)
s. 20.395(3)(cy)	Southeast Wisconsin Freeway Rehabilitation	Federal	15,000,000
s. 20.395(3)(ex)	Highway Maintenance, Repair, and Traffic Operations	Federal	7,500,000
s. 20.395(3)(eq)	Highway Maintenance, Repair, and Traffic Operations	State/SEG	7,500,000
Total			\$94,669,800

Major Highway Development – The Department requests an increase of \$32,669,800 to the program's federal appropriation. The requested increase in federal funding for the program will offset SEG decreases requested in the Deficit Reduction Plan as well as provide a slight increase in total program funding.

State Highway Rehabilitation – The Department requests an increase of \$39,500,000 to the program's federal appropriation and a decrease of \$7,500,000 to the program's SEG appropriation. The requested \$7,500,000 decrease in SEG funding for the program will be reallocated to the Highway Maintenance, Repair, and Traffic Operations program as described below. The requested increase in federal funding in this program will offset the SEG reduction

related to the reallocation of SEG funds to Maintenance and the Deficit Reduction Plan to maintain the total amount of funding available for the program.

Southeast Wisconsin Freeway Rehabilitation – The Department's requested increase of \$15,000,000 reflects program increases to meet rehabilitation needs in southeastern Wisconsin. This funding increase would be specifically targeted to rehabilitation projects in the Southeast and would not be used for major reconstruction projects such as the I-94 North/South project or the Zoo Interchange project. Funding for discrete rehabilitation projects is limited due to the large reconstruction projects in the region.

Highway Maintenance, Repair, and Traffic Operations – The Department requests an increase of \$7,500,000 in federal funding and a reallocation of \$7,500,000 in SEG funding from the State Highway Rehabilitation Program to meet program needs. The requested funding increase will allow the Department to address highway safety needs, such as pavement marking and signing, that are stand alone projects and not part of a larger highway rehabilitation or construction project. The Committee approved an additional \$7,500,000 million in federal funding for the Highway Maintenance, Repair, and Traffic Operations program in the SFY 2010 Federal Expenditure Plan. Given this previous level of support and the timing of the federal allocations, federally funded projects have already been undertaken in SFY 2011. The allocation of SEG funding instead of federal funding to meet the remaining needs in this area would provide the Department with greater flexibility and efficiencies due to the several regulatory issues related to the use of federal funding on these types of projects. The SEG funding will also allow the Department to proceed with these projects immediately in SFY 2012.

DEFICIT REDUCTION PLAN

At this time, the Department anticipates the Transportation Fund will end SFY 2011 with a deficit of \$68.8 million. However, the precise ending balance will not be known until after the Department closes its accounting records for SFY 2011 later this summer.

	SFY 2011
Opening Balance	(\$69,354,100)
Estimated SFY 2011 Revenues	1,552,087,700
SFY 2011 Appropriations and Reserves	(1,570,415,500)
Greater than Expected Expenditures	(1,797,900)
Less than Expected Expenditures	<u>20,696,300</u>
Shortfall	(\$68,783,500)

The Transportation Fund began the 2009-11 biennium with a deficit of \$33 million after the Department's SFY 2009 deficit reduction plan was not approved. Over the last two fiscal years, the state and national economies have struggled. As a result, Transportation Fund collections have not kept pace with projections established in 2009 Wisconsin Act 28.

Act 28's revenue and expenditure levels were built largely on an estimate of state revenues completed in spring 2009. In SFY 2011, the effect has been most noticeable in vehicle registrations and related revenues. The number of registered autos, light trucks, and heavy trucks has been less than anticipated for SFY 2011.

These and other factors have resulted in an estimated SFY 2011 Transportation Fund deficit of nearly \$68.8 million. The Department has worked to limit discretionary expenditures. However, it is clear that operational lapses alone will not be sufficient to fully address a shortfall of this magnitude. Outlined below is the Department's plan for eliminating the \$68.8 million budget deficit. The plan includes \$1.0 million in operations lapses to offset requested one-time reductions in continuing appropriations.

Shortfall	(\$68,783,500)
Planned Lapses/Reductions:	
Prior Year Encumbrances	393,200
SFY 2011 Anticipated Operating Lapse	1,000,000
Aeronautics Assistance	5,000,000
Major Highway Program	32,000,000
State Highway Rehabilitation	32,000,000
Total	\$70,393,200
Balance	\$1,609,700

Continuing Appropriations

The Department identified unencumbered balances in three state continuing appropriations that could be available for a one-time lapse to eliminate the projected budget deficit and provide a small balance in the event that final SFY 2011 revenues are less than anticipated. The table below identifies these appropriations and the requested one-time lapse from each.

Appropriation	Program	Requested Lapse
s. 20.395(2)(dq)	Aeronautics Assistance	\$5,000,000
s. 20.395(3)(bq)	Major Highway Development	32,000,000
s. 20.395(3)(cq)	State Highway Rehabilitation	32,000,000
	Total	\$69,000,000

These lapses are offset by increases in federal funding as outlined in the Federal Expenditure Plan above and would, therefore, have little impact on the highway improvement program.

The Honorable Alberta Darling, Co-Chair
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These funds have not been programmed and will not impact the Department's highway construction targets. All program goals for SFY 2011 and SFY 2012 will be met.

Summary

The following table summarizes the net program funding changes included in the SFY 2011 Federal Expenditure Plan and Deficit Reduction Plan:

Program	Requested Change
Aeronautics Assistance	(\$5,000,000)
Major Highway Development	669,800
State Highway Rehabilitation	0
Southeast Wisconsin Freeway Rehabilitation	15,000,000
Highway Maintenance, Repair, and Traffic Operations	\$15,000,000

Thank you for your consideration of the Department's SFY 2011 Federal Expenditure Plan and Deficit Reduction Plan. I look forward to your actions on these plans. Please contact Paul Hammer, Director of the Department's Office of Policy, Budget, and Finance at (608) 267-9618 if the Committee requires additional information.

Sincerely,



Mark Gottlieb, P.E.
Secretary

cc: Governor Scott Walker
Members of the Joint Committee on Finance
Mike Huebsch, Secretary, DOA
Bob Lang, Director, Legislative Fiscal Bureau
Paul Hammer, DOT Budget Director